



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 4/1/2005

**GAIN Report Number:** CE5002

## Sri Lanka

## Grain and Feed

## Annual

## 2005

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**Report Highlights:**

Sri Lanka's marketing year (MY) 2005/06 (Oct-Sep) rice production is forecast at 2.2 million tons, assuming favorable weather conditions and the continuation of the peace process with the Tamil separatist group. MY 2004/05 production, which was affected by floods and drought, is estimated at around 2 million tons. Wheat imports in calendar year (CY) 2005 are forecast at 950,000 tons, marginally higher than CY 2004 imports. There were no wheat imports from the United States in 2004.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
New Delhi [IN1]  
[CE]

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## SECTION I - SITUATION & OUTLOOK

### RICE

#### Production Situation and Outlook

Sri Lanka's MY 2005/06 rice production is forecast at 2.2 million tons (milled basis), assuming a normal rainfall during the northeast and the southwest monsoon seasons this year, and the continuation of the ceasefire agreement with the Tamil separatist group Liberation Tigers of Tamil Elam (LTTE). The MY 2004/05 rice output, which was negatively impacted by drought and floods, and to a small extent by the December 26, 2004, tsunami (mostly confined to some areas of the eastern and southern provinces), is estimated at around 2.0 million tons. The MY 2004/05 production includes 651,000 tons of *yala* crop (harvested in the fall of 2004) and 1.3 million tons of *maha* crop, which is currently being harvested.

Rice is the most important crop in Sri Lanka, in terms of area and production, number of farm families engaged, and political sensitivity. It contributes around 4 percent to the country's GDP. About 42 percent of the country's 870,000 hectares of total rice area has assured irrigation, but the remaining area is entirely dependent on rains. Although rice production has increased considerably over the past fifteen years, sustainability problems have surfaced in recent years, mainly in the high productive areas in the dry zone in the north central province of the country. Micronutrient deficiency in the soil, increasing production costs, reduced profits, stagnant yields, and poor quality are some of the problems facing rice cultivation. Although most farmers apply high doses of fertilizer, they neglect agronomic and pest management practices, leading to poor yield response to these applications. The production cost of a kilogram of rough rice is approximately SL Rs. 9.00 (nine US cents), with labor remaining the most costly input.

#### Consumption

MY 2005/06 rice consumption is forecast to increase to 2.3 million tons from 2.1 million tons in MY 2004/05. Annual per-capita rice consumption is around 100 kilograms, and it provides 45 percent of the total calorie requirement and 40 percent of the total protein requirement of an average Sri Lankan. Consumption is influenced by the price of rice vis-à-vis the price of substitutes like wheat flour and bread. In recent years, there has been some shift from rice to flour-based foods, mainly in urban areas, due to the convenience of the wheat-based foods. This trend is expected to continue if rice prices remain strong. Prices of most varieties of rice recorded a significant increase in CY 2004 over 2003. Retail rice prices ranged from SL Rs. 30-50 (30-50 US cents) per kilogram in 2004, compared with SL Rs. 26-35 (26-35 US cents) per kilogram in 2003.

#### Trade

Rice imports in MY 2005/06 are forecast at 150,000 tons, compared with 215,000 tons in MY 2004/05. The present tariff on rice is SL Rs. 9 per kilogram. Rice imports increased sharply in November and December 2004 following the waiver of tariffs on rice imported by the Sri Lanka Cooperative Federation in September 2004, and then by all importers in October 2004, in order to control domestic prices. Sri Lanka imports low quality rice mostly from India and Pakistan. In CY 2004, Sri Lanka imported 40 tons of rice from the United States.

## Marketing

For CY 2005, the government of Sri Lanka (GSL) approved SL Rs. 750 million (\$7.5 million) for the paddy price support operation, at prices ranging from SL Rs. 15.50-16.50 (16-17 US cents) per kilogram. Annual paddy purchases by the GSL are only about 9 percent of total production, with private traders the primary buyers. The paddy purchased by the GSL is stored in government warehouses, and is released regularly to keep retail prices under control.

## WHEAT

### Production

There is no wheat production in Sri Lanka. The country's entire wheat needs are met through imports.

### Consumption

CY 2005 wheat consumption is forecast at 950,000 tons, marginally higher than the MY 2004 consumption. Annual per-capita flour consumption averages around 50 kilograms, which could expand if rice prices increase. Sri Lankan consumers' preference, particularly in urban areas, has been shifting towards flour-based foods due to their cooking convenience and price competitiveness. The availability of a wide range of ready-to-eat wheat-based food products has further supported wheat consumption.

Prima (Ceylon) Ltd, the country's sole flourmill, supplies all of Sri Lanka's flour requirements. However, recently the GSL encouraged flour imports and also began importing flour directly through the Trade Ministry in order to break the Prima monopoly in the domestic flour market. Following the withdrawal of the subsidy paid to Prima, effective March 01, 2005, Prima increased the retail price of flour to Rs. 34.50 per kilogram; the Trade Ministry meanwhile established a sales price of Rs. 27 per kilogram for wheat flour imported by it. The Minister of Trade also expressed willingness to provide duty-free status and VAT concessions to private sector flour importers, in addition to providing distribution channels for their imported flour, to attract private imports. The constant pressure by successive governments to maintain prices at levels affordable to the average consumer has limited Prima's ability to produce superior quality flour. Flour distributed by Prima in CY 2004 totaled 630,786 tons, a slight decrease from the 644,846 tons in 2003. Wheat flour imported and distributed in CY 2004 totaled 3,430 tons. A second flourmill (a joint venture between a Sri Lankan Company and a UAE-based investor) in the vicinity of the Colombo port, which was scheduled to be operational in 2005, has been delayed, and is now scheduled to be commissioned in 2007.

### Trade and Competition

CY 2005 wheat imports are forecast at 950,000 tons, compared with 945,000 tons (all commercial) in CY 2004. There were no wheat imports from the United States in 2004 due to their relatively higher prices. Imports were mostly from Australia, Argentina, India, and Canada. Prima prefers to buy wheat from Australia to blend it with cheaper wheat imported from neighboring countries like India. The GSL's strategy of importing wheat flour to break Prima's monopoly opens limited opportunities for the supply of US wheat flour to Sri Lanka, provided prices are competitive.

## SECTION II – STATISTICAL TABLES

Table 1: Commodity, Rice Milled, PSD

PSD Table							
Country	Sri Lanka						
Commodity	Rice, Milled				(1000 HA) (1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	810	806	810	789	0	800	(1000 HA)
Beginning Stocks	156	156	10	10	60	60	(1000 MT)
Milled Production	1900	1900	2000	1974	0	2200	(1000 MT)
Rough Production	2794	2794	2857	2903	0	3235	(1000 MT)
MILLING RATE (.9999)	6800	6800	7000	6800	0	6800	(1000 MT)
TOTAL Imports	29	29	150	215	0	150	(1000 MT)
Jan-Dec Imports	150	215	150	150	0	150	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
<b>TOTAL SUPPLY</b>	<b>2085</b>	<b>2085</b>	<b>2160</b>	<b>2199</b>	<b>60</b>	<b>2410</b>	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	2075	2075	2100	2139	0	2300	(1000 MT)
Ending Stocks	10	10	60	60	0	110	(1000 MT)
<b>TOTAL DISTRIBUTION</b>	<b>2085</b>	<b>2085</b>	<b>2160</b>	<b>2199</b>	<b>0</b>	<b>2410</b>	(1000 MT)

Table 2: Commodity, Rice Milled, Import Trade Matrix

<b>Import Trade Matrix</b>			
<b>Country</b>	Sri Lanka		
<b>Commodity</b>	Rice, Milled		
Time Period	Jan-Dec	Units:	Jan-Dec
Imports for:	2003		2004
U.S.	0	U.S.	0
Others		Others	
India	13482	India	145867
Pakistan	12403	Pakistan	55833
		Japan	6122
		Italy	5353
Total for Others	25885		213175
Others not Listed	7747		1825
Grand Total	33632		215000

Table 3: Commodity, Wheat, PSD

PSD Table							
Country	Sri Lanka						
Commodity	Wheat				(1000 HA) (1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	100	100	100	100	100	100	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
TOTAL Mkt. Yr. Imports	900	987	950	945	0	950	(1000 MT)
Jul-Jun Imports	886	950	950	959	0	950	(1000 MT)
Jul-Jun Import U.S.	15	0	0	0	0	0	(1000 MT)
<b>TOTAL SUPPLY</b>	<b>1000</b>	<b>1057</b>	<b>1050</b>	<b>1045</b>	<b>100</b>	<b>1050</b>	(1000 MT)
TOTAL Mkt. Yr. Exports	10	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	10	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	890	987	950	945	0	950	(1000 MT)
Ending Stocks	100	100	100	100	0	100	(1000 MT)
<b>TOTAL DISTRIBUTION</b>	<b>1000</b>	<b>1057</b>	<b>1050</b>	<b>1045</b>	<b>0</b>	<b>1050</b>	(1000 MT)

Table 4: Commodity, Wheat, Import Trade Matrix

<b>Import Trade Matrix</b>			
<b>Country</b>	Sri Lanka		
<b>Commodity</b>	Wheat		
Time Period	Jan-Dec	Units:	Jan-Dec
Imports for:	2003		2004
U.S.	52500	U.S.	0
Others		Others	
India	413650	Australia	273818
France	332273	Argentina	229543
Canada	105000	India	197917
		Canada	99973
Total for Others	850923		801251
Others not Listed	83577		143749
Grand Total	987000		945000



**Table 5: Wheat Imports by Month, CY 2003 and CY 2004 by Country of Origin**  
(metric tons)

	2003			2004		
	US	Non-US 1/	Total	US	Non-US 1/	Total
January	52,500	81,422	133,922	0	78,316	78,316
February	0	87,157	87,157	0	70,367	70,367
March	0	42,853	42,853	0	127,855	127,855
April	0	41,547	41,547	0	69,021	69,021
May	0	176,570	176,570	0	24,529	24,529
June	0	80,206	80,206	0	83,270	83,270
July	0	24,677	24,677	0	71,320	71,320
August	0	119,662	119,662	0	128,305	128,305
September	0	69,324	69,324	0	1,524	1,524
October	0	27,523	27,523	0	191,375	191,375
November	0	77,013	77,013	0	32,382	32,382
December	0	106,546	106,546	0	67,023	67,023
Total	52,500	934,500	987,000	0	945,287	945,287

1/ Non-US includes India, Australia, France, Canada, etc